

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

***Township of Big Rapids***  
***Mecosta County, Michigan***  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2005*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Township of Big Rapids***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following discussion and analysis is intended as a narrative overview of the Township of Big Rapids, Michigan's operations over the fiscal year and its financial condition on December 31, 2005.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased \$1,714,762 (74 percent) as a result of this year's operations.
- Of the \$4,021,670 total net assets reported, \$876,432 million is available to be used to meet future operating and capital improvement needs.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$266,968, which represents 45 percent of the actual total General Fund expenditures for the fiscal year.

**Overview of the financial statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - The governmental funds statements tell how general government services, like public works and public safety, were financed in the short term, as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business. The Township's proprietary funds account for its construction code inspections department and sewage collection system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the basic financial statements for 2005 and 2004 is also presented.

### **Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities include all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the Township's sewage collection system and inspections department.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by grant agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like capital improvements) or to show that it is properly using certain taxes and other revenues (like the fire protection millage).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship between them.

**Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- Proprietary funds. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
- Fiduciary funds. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Net Assets - Fiduciary Funds. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$4,021,670, a 74% increase compared to the prior year. However, \$2,580,020 of this total is invested in capital assets and \$565,218 is restricted for various purposes. Consequently, unrestricted net assets were \$876,432, 22% of the total.

Condensed financial information  
Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current assets	\$ 482,558	\$ 1,801,568	\$ 534,388	\$ 572,983	\$ 1,016,946	\$ 2,374,551
Noncurrent assets	858,245	2,628,981	767,253	960,011	1,625,498	3,588,992
<b>Total assets</b>	<u>1,340,803</u>	<u>4,430,549</u>	<u>1,301,641</u>	<u>1,532,994</u>	<u>2,642,444</u>	<u>5,963,543</u>
Current liabilities	367,162	939,430	21,476	23,150	388,638	962,580
Noncurrent liabilities	-	939,293	50,000	40,000	50,000	979,293
<b>Total liabilities</b>	<u>367,162</u>	<u>1,878,723</u>	<u>71,476</u>	<u>63,150</u>	<u>438,638</u>	<u>1,941,873</u>
Net assets:						
Invested in capital assets, net of related debt	808,798	1,670,009	707,253	910,011	1,516,051	2,580,020
Restricted	108,190	565,218	-	-	108,190	565,218
Unrestricted	56,653	316,599	522,912	559,833	579,565	876,432
<b>Total net assets</b>	<u>\$ 973,641</u>	<u>\$ 2,551,826</u>	<u>\$ 1,230,165</u>	<u>\$ 1,469,844</u>	<u>\$ 2,203,806</u>	<u>\$ 4,021,670</u>

**Township of Big Rapids**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets.** In 2005, the Township's total revenues are \$2,534,732. Approximately 12% of the Township's revenues come from property taxes while state revenue sharing represents only 9%. About 14% of total revenues come from charges for services.

Condensed financial information  
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 54,221	\$ 26,540	\$ 327,576	\$ 385,340	\$ 381,797	\$ 411,880
Operating grants and contributions	37,164	38,102	-	-	37,164	38,102
Capital grants and contributions	400,000	1,252,834	128,750	184,150	528,750	1,436,984
General revenues:						
Property taxes	256,201	313,110	-	-	256,201	313,110
State shared revenue	227,204	219,523	-	-	227,204	219,523
Interest income	5,559	15,853	3,000	12,673	8,559	28,526
Miscellaneous	20,153	86,607	-	-	20,153	86,607
Transfers	-	47,256	-	(47,256)	-	-
<b>Total revenues</b>	<u>1,000,502</u>	<u>1,999,825</u>	<u>459,326</u>	<u>534,907</u>	<u>1,459,828</u>	<u>2,534,732</u>
Expenses:						
Legislative	8,000	8,162	-	-	8,000	8,162
General government	458,345	338,616	-	-	458,345	338,616
Public safety	99,660	121,493	-	-	99,660	121,493
Public works	51,149	7,013	-	-	51,149	7,013
Community and economic development	39,601	22,432	-	-	39,601	22,432
Culture and recreation	6,031	10,363	-	-	6,031	10,363
Interest	3,741	16,663	-	-	3,741	16,663
Sewer	-	-	184,134	202,698	184,134	202,698
Inspections	-	-	82,927	92,530	82,927	92,530
<b>Total expenses</b>	<u>666,527</u>	<u>524,742</u>	<u>267,061</u>	<u>295,228</u>	<u>933,588</u>	<u>819,970</u>
<b>Increase in net assets</b>	<u>\$ 333,975</u>	<u>\$ 1,475,083</u>	<u>\$ 192,265</u>	<u>\$ 239,679</u>	<u>\$ 526,240</u>	<u>\$ 1,714,762</u>

**Governmental activities**

Governmental activities increased the Township's net assets by \$1,475,083 in 2005 compared with an increase of \$255,487 in 2004. The primary reason for the larger increase in net assets is the \$1,252,834 capital grant from the Department of Commerce in 2005.

The cost of all governmental activities this year was \$524,742 compared to \$666,527 in 2004. After subtracting the direct charges to those who directly benefited from the programs (\$26,540), and operating grants (\$38,102), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$460,100 in 2005 compared to \$575,142 in 2004.

#### **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

At December 31, 2005, the Township's governmental funds reported a combined fund balance of \$896,582, approximately \$629 thousand more than last year.

The fund balance of the General Fund decreased by \$120,955 in 2005. The decrease was primarily the result of additional expenses incurred with the capital grant project.

The fund balance of the Fire Fund increased this year by \$18,932 because property tax revenues exceeded the total costs of fire protection services.

The fund balance of the new Water Project Fund increased this year by \$430,497. The fund balance represents bond proceeds that will be expended in 2006.

#### **General Fund budgetary highlights**

Revenues were \$83,520 more than anticipated mainly due to the increased construction of both residential and commercial properties located within the township. Expenditures were \$86,401 less than the amounts appropriated mainly due to the township taking a conservative approach in spending due to the reduced state shared revenues as the State of Michigan lowered its revenue sharing formula to local governmental units.

#### **Capital assets**

At December 31, 2005, the Township had invested \$3,588,992 in various capital assets, including its land, buildings, equipment, vehicles, and infrastructure. This amount represents a net increase of nearly \$2 million in 2005.

This year's major capital asset additions included:

- \$1,778,944 for infrastructure improvements in the Industrial Park
- \$ 206,502 for a land acquisition in the Industrial Park
- \$ 11,500 for various equipment items

***Township of Big Rapids***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Economic condition and outlook**

The Big Rapids Township Board has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township has undertaken a number of measures to offset declining revenues. Among them are reducing overall spending and working with a balanced budget.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects in various stages of development including the Industrial Development Park, chain store development, and several apartment/condominium projects.

**Contacting the Township's financial management**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors, and to demonstrate the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to:

Township of Big Rapids Phone: (231) 796-3603  
Sherri Gilbert, Township Clerk  
14212 Northland Drive  
Big Rapids, MI 49307

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Township of Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Big Rapids, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township of Big Rapids, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Big Rapids, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Big Rapids, Michigan, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated February 10, 2006, on our consideration of the Township of Big Rapids, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Big Rapids, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Siegfried Crandall P.C.*

February 10, 2006

## **BASIC FINANCIAL STATEMENTS**

**Township of Big Rapids**  
**STATEMENT OF NET ASSETS**  
December 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 873,565	\$ 544,467	\$ 1,418,032
Receivables, net	914,018	42,501	956,519
Internal balances	<u>13,985</u>	<u>(13,985)</u>	<u>-</u>
Total current assets	1,801,568	572,983	2,374,551
Noncurrent assets:			
Capital assets, net of depreciation	<u>2,628,981</u>	<u>960,011</u>	<u>3,588,992</u>
Total assets	<u>4,430,549</u>	<u>1,532,994</u>	<u>5,963,543</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	621,585	13,150	634,735
Deferred revenue	298,166	-	298,166
Bonds and notes payable	<u>19,679</u>	<u>10,000</u>	<u>29,679</u>
Total current liabilities	939,430	23,150	962,580
Noncurrent liabilities:			
Bonds and notes payable	<u>939,293</u>	<u>40,000</u>	<u>979,293</u>
Total liabilities	<u>1,878,723</u>	<u>63,150</u>	<u>1,941,873</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,670,009	910,011	2,580,020
Restricted for:			
Public safety	24,020	-	24,020
Public works	7,583	-	7,583
Capital project	430,497	-	430,497
Perpetual care	103,118	-	103,118
Unrestricted	<u>316,599</u>	<u>559,833</u>	<u>876,432</u>
Total net assets	<u>\$ 2,551,826</u>	<u>\$ 1,469,844</u>	<u>\$ 4,021,670</u>

See notes to financial statements

**Township of Big Rapids**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2005

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b><u>Program revenues</u></b>		
		<b><u>Charges for services</u></b>	<b><u>Operating grants and contributions</u></b>	<b><u>Capital grants and contributions</u></b>
Governmental activities:				
Legislative	\$ 8,162	\$ -	\$ -	\$ -
General government	338,616	26,141	21,101	-
Public safety	121,493	-	13,130	-
Public works	7,013	-	3,871	1,252,834
Community and economic development	22,432	399	-	-
Culture and recreation	10,363	-	-	-
Interest on long-term debt	16,663	-	-	-
Total governmental activities	<u>524,742</u>	<u>26,540</u>	<u>38,102</u>	<u>1,252,834</u>
Business-type activities:				
Sewer	202,698	224,157	-	184,150
Inspections	<u>92,530</u>	<u>161,183</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>295,228</u>	<u>385,340</u>	<u>-</u>	<u>184,150</u>
Totals	<u>\$ 819,970</u>	<u>\$ 411,880</u>	<u>\$ 38,102</u>	<u>\$ 1,436,984</u>

General revenues:

Property taxes  
State shared revenue  
Franchise fees  
Interest income  
Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (8,162)		\$ (8,162)
(291,374)		(291,374)
(108,363)		(108,363)
1,249,692		1,249,692
(22,033)		(22,033)
(10,363)		(10,363)
(16,663)		(16,663)
<u>792,734</u>		<u>792,734</u>
	\$ 205,609	205,609
	<u>68,653</u>	<u>68,653</u>
	<u>274,262</u>	<u>274,262</u>
<u>792,734</u>	<u>274,262</u>	<u>1,066,996</u>
313,110	-	313,110
219,523	-	219,523
9,797	-	9,797
15,853	12,673	28,526
76,810	-	76,810
<u>47,256</u>	<u>(47,256)</u>	<u>-</u>
<u>682,349</u>	<u>(34,583)</u>	<u>647,766</u>
1,475,083	239,679	1,714,762
<u>1,076,743</u>	<u>1,230,165</u>	<u>2,306,908</u>
<u>\$ 2,551,826</u>	<u>\$ 1,469,844</u>	<u>\$ 4,021,670</u>

See notes to the financial statements

**Township of Big Rapids**  
**BALANCE SHEET - governmental funds**

December 31, 2005

	<b>Major funds</b>			<b>Nonmajor funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Fire</b>	<b>Water Project</b>		
<b>ASSETS</b>					
Cash	\$ 229,671	\$ 72,706	\$ 396,091	\$ 175,097	\$ 873,565
Receivables, net	162,628	111,864	639,526	-	914,018
Due from other funds	13,985	-	-	-	13,985
Total assets	<u>\$ 406,284</u>	<u>\$ 184,570</u>	<u>\$1,035,617</u>	<u>\$ 175,097</u>	<u>\$ 1,801,568</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 1,700	\$ -	\$ 605,120	\$ -	\$ 606,820
Deferred revenue	137,616	160,550	-	-	298,166
Total liabilities	<u>139,316</u>	<u>160,550</u>	<u>605,120</u>	<u>-</u>	<u>904,986</u>
Fund balances:					
Reserved for capital project	-	-	430,497	-	430,497
Unreserved	266,968	24,020	-	-	290,988
Unreserved, reported in nonmajor:					-
Special revenue funds	-	-	-	71,886	71,886
Capital projects fund	-	-	-	93	93
Permanent fund	-	-	-	103,118	103,118
Total fund balances	<u>266,968</u>	<u>24,020</u>	<u>430,497</u>	<u>175,097</u>	<u>896,582</u>
Total liabilities and fund balances	<u>\$ 406,284</u>	<u>\$ 184,570</u>	<u>\$1,035,617</u>	<u>\$ 175,097</u>	<u>\$ 1,801,568</u>
Total fund balances					\$ 896,582

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

2,628,981

Some liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(973,737)

Net assets of *governmental activities*

\$ 2,551,826

See notes to financial statements

**Township of Big Rapids**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended December 31, 2005

	<u>Major funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Water Project</u>	<u>funds</u>	<u>governmental funds</u>
<b>REVENUES</b>					
Property taxes	\$ 166,128	\$ 146,982	\$ -	\$ -	\$ 313,110
Licenses and permits	9,797	-	-	-	9,797
Federal grant	-	-	1,252,834	-	1,252,834
State grants	219,523	-	-	8,203	227,726
Contributions from local units	21,101	8,798	-	-	29,899
Charges for services	14,868	-	-	2,072	16,940
Interest and rentals	13,404	2,200	5,007	4,842	25,453
Reimbursement for prior year costs	63,488	-	-	-	63,488
Other	8,335	4,987	-	-	13,322
<b>Total revenues</b>	<u>516,644</u>	<u>162,967</u>	<u>1,257,841</u>	<u>15,117</u>	<u>1,952,569</u>
<b>EXPENDITURES</b>					
Legislative	8,162	-	-	-	8,162
General government	320,226	-	-	-	320,226
Public safety	-	79,914	-	4,332	84,246
Public works	7,013	-	1,593,944	-	1,600,957
Community and economic development	22,432	-	-	-	22,432
Culture and recreation	10,093	-	-	-	10,093
Capital outlay	219,923	12,776	-	-	232,699
Debt service:					
Principal	-	49,447	-	-	49,447
Interest	-	1,898	-	-	1,898
<b>Total expenditures</b>	<u>587,849</u>	<u>144,035</u>	<u>1,593,944</u>	<u>4,332</u>	<u>2,330,160</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(71,205)</u>	<u>18,932</u>	<u>(336,103)</u>	<u>10,785</u>	<u>(377,591)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	192,372	-	766,600	-	958,972
Transfers in	3,500	-	-	50,968	54,468
Transfers out	(3,712)	-	-	(3,500)	(7,212)
<b>Total other financing sources</b>	<u>192,160</u>	<u>-</u>	<u>766,600</u>	<u>47,468</u>	<u>1,006,228</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>120,955</u>	<u>18,932</u>	<u>430,497</u>	<u>58,253</u>	<u>628,637</u>
<b>FUND BALANCES - BEGINNING</b>	<u>146,013</u>	<u>5,088</u>	<u>-</u>	<u>116,844</u>	<u>267,945</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 266,968</u>	<u>\$ 24,020</u>	<u>\$ 430,497</u>	<u>\$ 175,097</u>	<u>\$ 896,582</u>

See notes to financial statements

***Township of Big Rapids***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended December 31, 2005*

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Reconciliation of the statement of revenues, expenditures, and changes in fund  
balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ 628,637

Amounts reported for *governmental activities* in the statement of activities (page 6)  
are different because:

Capital assets:

Assets acquired	1,811,946
Net book value of dispositions	(3,874)
Provision for depreciation	(37,336)

Long-term debt:

Loan proceeds	(958,972)
Principal repayments	49,447

Change in other assets/liabilities:

Interest payable	<u>(14,765)</u>
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Change in net assets of *governmental activities* \$ 1,475,083

*See notes to the financial statements*

**Township of Big Rapids**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2005

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 134,096	\$ 410,371	\$ 544,467
Receivables, net	<u>-</u>	<u>42,501</u>	<u>42,501</u>
Total current assets	134,096	452,872	586,968
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>-</u>	<u>960,011</u>	<u>960,011</u>
Total assets	<u>134,096</u>	<u>1,412,883</u>	<u>1,546,979</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	-	13,150	13,150
Due to other funds	12,951	1,034	13,985
Bonds payable	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total current liabilities	12,951	24,184	37,135
Noncurrent liabilities:			
Bonds payable	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Total liabilities	<u>12,951</u>	<u>64,184</u>	<u>77,135</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	910,011	910,011
Unrestricted	<u>121,145</u>	<u>438,688</u>	<u>559,833</u>
Total net assets	<u>\$ 121,145</u>	<u>\$ 1,348,699</u>	<u>\$ 1,469,844</u>

See notes to financial statements

**Township of Big Rapids**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - proprietary funds**  
Year ended December 31, 2005

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 161,183	\$ 224,157	\$ 385,340
<b>OPERATING EXPENSES</b>			
Operation and maintenance	92,530	169,295	261,825
Depreciation	-	29,053	29,053
Total operating expenses	92,530	198,348	290,878
<b>OPERATING INCOME</b>	68,653	25,809	94,462
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Connection fees	-	184,150	184,150
Interest revenue	2,017	10,656	12,673
Interest expense	-	(4,350)	(4,350)
Total nonoperating revenues	2,017	190,456	192,473
<b>INCOME BEFORE TRANSFERS</b>	70,670	216,265	286,935
<b>TRANSFER OUT</b>	-	(47,256)	(47,256)
<b>CHANGE IN NET ASSETS</b>	70,670	169,009	239,679
<b>NET ASSETS - BEGINNING</b>	50,475	1,179,690	1,230,165
<b>NET ASSETS - ENDING</b>	\$ 121,145	\$ 1,348,699	\$ 1,469,844

See notes to financial statements

**Township of Big Rapids**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended December 31, 2005

	<u>Inspections</u>	<u>Sewer</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 161,183	\$ 216,008	\$ 377,191
Payments to suppliers	(18,341)	(166,587)	(184,928)
Payments to employees	(65,669)	-	(65,669)
Net cash provided by operating activities	<u>77,173</u>	<u>49,421</u>	<u>126,594</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	<u>-</u>	<u>(47,256)</u>	<u>(47,256)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(221,811)	(221,811)
Connection fees	-	184,150	184,150
Principal payments on capital debt	-	(10,000)	(10,000)
Interest payments on capital debt	<u>-</u>	<u>(4,350)</u>	<u>(4,350)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(52,011)</u>	<u>(52,011)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>2,017</u>	<u>10,656</u>	<u>12,673</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	79,190	(39,190)	40,000
<b>CASH - BEGINNING</b>	<u>54,906</u>	<u>449,561</u>	<u>504,467</u>
<b>CASH - ENDING</b>	<u>\$ 134,096</u>	<u>\$ 410,371</u>	<u>\$ 544,467</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 68,653	\$ 25,809	\$ 94,462
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	29,053	29,053
Change in assets and liabilities:			
Receivables, net	-	(8,149)	(8,149)
Payables	(75)	2,708	2,633
Due to other funds	<u>8,595</u>	<u>-</u>	<u>8,595</u>
Net cash provided by operating activities	<u>\$ 77,173</u>	<u>\$ 49,421</u>	<u>\$ 126,594</u>

See notes to financial statements

**Township of Big Rapids**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency fund**  
*December 31, 2005*

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**ASSETS**

Cash	\$ 394,359
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**LIABILITIES**

Payables	\$ 394,359
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*See notes to the financial statements*

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Big Rapids, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no component units, legally separate entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of fire protection costs of the Township.

The Water Project Fund accounts for the use of a federal grant and bond proceeds that are restricted for the financing of infrastructure improvements within the Big Rapids Area Industrial Park.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Inspections Fund accounts for the activities of the Township's construction code inspections department.

The Township also reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., sewer systems, shared road costs, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	20 years
Sewer systems	40 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, taxes have been deferred from recognition as revenue until the following year.

The 2004 taxable valuation of the Township totaled \$100,545,764, on which ad valorem taxes levied consisted of the following:

<u>Fund</u>	<u>Millage rate</u>	<u>Purpose</u>	<u>Taxes raised</u>
General	1.2500	Operating	\$ 125,624
Fire	1.4583	Public safety	146,557

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Cemetery	\$ 79,200	\$ 83,722	\$ 4,522
	Culture and recreation	Parks and recreation	7,040	10,093	3,053
Fire	Debt service	Principal	45,826	49,447	3,621

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Totals</u>
Deposits	\$ 873,365	\$ 544,367	\$ 394,359	\$ 1,812,091
Cash on hand	<u>200</u>	<u>100</u>	<u>-</u>	<u>300</u>
Totals	<u>\$ 873,565</u>	<u>\$ 544,467</u>	<u>\$ 394,359</u>	<u>\$ 1,812,391</u>

***Deposits with financial institutions:***

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of December 31, 2005, \$1,731,863 of the Township's bank balances of \$1,931,863 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and non-major funds, in the aggregate, are as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 88,345	\$ -	\$ 74,283	\$ 162,628
Fire Fund	103,065	-	8,799	111,864
Capital Project Fund	-	-	639,526	639,526
Nonmajor funds	-	-	-	-
	<u>\$ 191,410</u>	<u>\$ -</u>	<u>\$ 722,608</u>	<u>\$ 914,018</u>
Business-type activities:				
Sewer Fund	\$ -	\$ 42,501	\$ -	\$ 42,501
Inspections Fund	-	-	-	-
	<u>\$ -</u>	<u>\$ 42,501</u>	<u>\$ -</u>	<u>\$ 42,501</u>

**NOTE 5 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds may also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, certain funds deferred recognition of property tax revenues that were considered unearned at December 31, 2005. The types of deferred property tax revenues, by fund, follow:

<u>Fund</u>	<u>Deferred revenue</u>
General	\$ 137,616
Fire	<u>160,550</u>
Totals	<u>\$ 298,166</u>

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 52,650	\$ 206,502	\$ -	\$ 259,152
Construction in progress	<u>46,806</u>	<u>1,593,944</u>	<u>-</u>	<u>1,640,750</u>
Subtotal	<u>99,456</u>	<u>1,800,446</u>	<u>-</u>	<u>1,899,902</u>
Capital assets being depreciated:				
Buildings	384,313	-	-	384,313
Vehicles	521,776	-	-	521,776
Equipment	<u>110,204</u>	<u>11,500</u>	<u>5,535</u>	<u>116,169</u>
Subtotal	<u>1,016,293</u>	<u>11,500</u>	<u>5,535</u>	<u>1,022,258</u>
Less accumulated depreciation for:				
Buildings	37,826	3,160	-	40,986
Vehicles	171,314	25,822	-	197,136
Equipment	<u>48,364</u>	<u>8,354</u>	<u>1,661</u>	<u>55,057</u>
Subtotal	<u>257,504</u>	<u>37,336</u>	<u>1,661</u>	<u>293,179</u>
Governmental activities capital assets, net	<u>\$ 858,245</u>	<u>\$ 1,774,610</u>	<u>\$ 3,874</u>	<u>\$ 2,628,981</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>
Capital assets being depreciated:				
Sewer system	974,740	36,812	-	1,011,552
Less accumulated depreciation	<u>207,488</u>	<u>29,053</u>	<u>-</u>	<u>236,541</u>
Subtotal	<u>767,252</u>	<u>7,759</u>	<u>-</u>	<u>775,011</u>
Business-type activities capital assets, net	<u>\$ 767,252</u>	<u>\$ 192,759</u>	<u>\$ -</u>	<u>\$ 960,011</u>

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,865
Public safety	<u>27,471</u>
Total governmental activities	<u>\$ 37,336</u>

**NOTE 7 - NONCURRENT LIABILITIES:**

At December 31, 2005, the Township's noncurrent liabilities consist of the following issues:

*Governmental activities:*

2005 Township of Big Rapids, County of Mecosta, State of Michigan special assessment bonds (industrial park), general obligation limited tax series; payable in annual installments ranging from \$11,600 to \$55,000, plus interest payable semi-annually at rates between 2.90% and 4.60%; final payment due July 2025	\$ 766,600
2005 Installment purchase agreement between and among the Township of Big Rapids, the Mecosta County Development Corporation, and Isabella Bank and Trust; payable in annual installments of \$20,584, including interest at 6.50%; final payment due December 2020	<u>192,372</u>
Total governmental activities	<u>\$ 958,972</u>

*Business-type activities:*

1992 Township of Big Rapids, County of Mecosta, sewer revenue bonds; payable in annual installments of \$10,000, plus interest at 7.25%; final payment due March 2010	<u>\$ 50,000</u>
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Noncurrent liability activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>
<i>Governmental activities:</i>				
2000 note payable	\$ 49,447	\$ -	\$ (49,447)	\$ -
2005 note payable	-	192,372	-	192,372
2005 special assessment bonds	-	766,600	-	766,600
Total governmental activities	<u>\$ 49,447</u>	<u>\$ 958,972</u>	<u>\$ (49,447)</u>	<u>\$ 958,972</u>
<i>Business-type activities:</i>				
1992 sewer revenue bonds	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 50,000</u>

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 7 - NONCURRENT LIABILITIES (Continued):**

At December 31, 2005, debt service requirements were as follows:

<i>Year ended</i> <i>December 31,</i>	<i>Governmental activities</i>		<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2006	\$ 19,679	\$ 42,030	\$ 10,000	\$ 3,625
2007	36,605	42,438	10,000	2,900
2008	38,164	31,570	10,000	2,175
2009	39,759	40,032	10,000	1,450
2010	42,394	38,377	10,000	725
2011 - 2015	238,026	162,366	-	-
2016 - 2020	289,345	101,256	-	-
2021 - 2025	<u>255,000</u>	<u>35,610</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 958,972</u>	<u>\$ 493,679</u>	<u>\$ 50,000</u>	<u>\$ 10,875</u>

**NOTE 8 - PAYABLES:**

At December 31, 2005, the Township's payables were as follows:

	<i>Accounts</i>	<i>Interest</i>	<i>Totals</i>
Governmental activities:			
General Fund	\$ 1,700		
Capital Project Fund	<u>605,120</u>		
Total governmental activities	<u>\$ 606,820</u>	<u>\$ 14,765</u>	<u>\$ 621,585</u>
Business-type activities:			
Sewer Fund	<u>\$ 13,150</u>	<u>\$ -</u>	<u>\$ 13,150</u>

**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS:**

At December 31, 2005, the composition of interfund balances is as follows:

<i>Fund</i>	<i>Receivables</i>	<i>Fund</i>	<i>Payables</i>
General	<u>\$ 13,985</u>	Sewer	\$ 1,034
		Inspections	<u>12,951</u>
			<u>13,985</u>

The interfund receivable and payable balances resulted from the time lag between the dates that interfund goods and services are provided and payments between funds are made.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS (Continued):**

The interfund transfers for the year ended December 31, 2005, are as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Industrial Park	\$ 47,256	Sewer	\$ 47,256
General	3,500	Nonmajor governmental	3,500
Nonmajor governmental	<u>3,712</u>	General	<u>3,712</u>
Totals	<u>\$ 54,468</u>		<u>\$ 54,468</u>

The transfer from the Sewer Fund to the Industrial Park Fund eliminated the fund deficit that existed at December 31, 2004.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 25% of each qualified employee's base salary to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$27,420 for the year ended December 31, 2005.

**NOTE 11 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

**NOTE 12 - CONSTRUCTION COMMITMENT:**

At December 31, 2005, the Township had authorized contracts totaling \$1,947,000 for infrastructure improvements within the Big Rapids Area Industrial Park. The improvements are being funded by a federal grant, in the amount of \$2,050,000 and special assessment bonds, issued in 2005, in the amount of \$766,600. Construction costs incurred through December 31, 2005, were \$1,480,000, leaving a commitment of \$467,000.

**Township of Big Rapids**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 13 - PRIOR PERIOD ADJUSTMENTS:**

Prior period adjustments have been recorded in 2005 that resulted in a restatement of net assets. Net assets as of January 1, 2005, included in the government-wide financial statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net assets</u>
Governmental activities:	
Beginning of year, as previously reported	\$ 1,072,836
Prior period adjustments:	
Understatement of receivables	48,451
Overstatement of prepaid expenses	(7,921)
Understatement of capital assets	(5,826)
Understatement of payables	(41,642)
Reclassification of Perpetual Care Fund	(103,102)
Reclassification of Cemetery Fund	61,320
Reclassification of Inspections Fund	<u>(50,475)</u>
Beginning of year, as restated	<u>\$ 973,641</u>
Business-type activities:	
Beginning of year, as previously reported	\$ 1,210,477
Prior period adjustments:	
Overstatement of capital assets	(20,345)
Understatement of payables	(10,442)
Reclassification of Inspections Fund	<u>50,475</u>
Beginning of year, as restated	<u>\$ 1,230,165</u>

Prior period adjustments have been recorded in 2005 that resulted in fund balance restatements. Fund equity as of January 1, 2005, included in the fund statements, represent restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Fund balance</u>
General Fund:	
Beginning of year, as previously reported	\$ 145,840
Prior period adjustments:	
Understatement of receivables	40,161
Understatement of payables	<u>(39,988)</u>
Beginning of year, as restated	<u>\$ 146,013</u>
Fire Fund:	
Beginning of year, as previously reported	\$ 6,373
Prior period adjustments:	
Understatement of receivables	8,290
Overstatement of prepaids	(7,921)
Understatement of payables	<u>(1,654)</u>
Beginning of year, as restated	<u>\$ 5,088</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Big Rapids**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 152,964	\$ 152,964	\$ 166,128	\$ 13,164
Licenses and permits	8,600	8,600	9,797	1,197
State grants	229,000	229,000	219,523	(9,477)
Contribution from local unit	20,000	20,000	21,101	1,101
Charges for services	8,900	8,900	14,868	5,968
Interest and rentals	12,300	12,300	13,404	1,104
Reimbursement for prior year costs	-	-	63,488	63,488
Other	1,360	1,360	8,335	6,975
	<u>433,124</u>	<u>433,124</u>	<u>516,644</u>	<u>83,520</u>
<b>EXPENDITURES</b>				
Legislative	<u>9,400</u>	<u>9,400</u>	<u>8,162</u>	<u>1,238</u>
General government:				
Supervisor/Assessor	75,331	75,331	68,459	6,872
Elections	3,750	3,750	992	2,758
Clerk	51,483	51,483	46,643	4,840
Treasurer	42,814	42,814	39,021	3,793
Board of review	2,030	2,030	1,752	278
Hall and grounds	10,840	10,840	7,642	3,198
Cemetery	79,200	79,200	83,722	(4,522)
General administration	109,500	109,500	71,995	37,505
	<u>374,948</u>	<u>374,948</u>	<u>320,226</u>	<u>54,722</u>
Public works:				
Road construction and maintenance	11,500	11,500	782	10,718
Street lights	7,000	7,000	6,231	769
	<u>18,500</u>	<u>18,500</u>	<u>7,013</u>	<u>11,487</u>
Community and economic development:				
Economic industrial development	13,240	13,240	10,000	3,240
Planning and zoning	26,250	26,250	12,432	13,818
	<u>39,490</u>	<u>39,490</u>	<u>22,432</u>	<u>17,058</u>

**Township of Big Rapids**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Culture and recreation:				
Parks and recreation	<u>\$ 7,040</u>	<u>\$ 7,040</u>	<u>\$ 10,093</u>	<u>\$ (3,053)</u>
Capital outlay	<u>32,500</u>	<u>224,872</u>	<u>219,923</u>	<u>4,949</u>
Total expenditures	<u>481,878</u>	<u>674,250</u>	<u>587,849</u>	<u>86,401</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(48,754)</u>	<u>(241,126)</u>	<u>(71,205)</u>	<u>169,921</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	192,372	192,372	-
Transfer in - Cemetery Fund	-	-	3,500	3,500
Transfer out - Metro Act Fund	<u>-</u>	<u>(3,712)</u>	<u>(3,712)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>188,660</u>	<u>192,160</u>	<u>3,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(48,754)</u>	<u>(52,466)</u>	<u>120,955</u>	<u>173,421</u>
<b>FUND BALANCES - BEGINNING</b>	<u>146,013</u>	<u>146,013</u>	<u>146,013</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 97,259</u>	<u>\$ 93,547</u>	<u>\$ 266,968</u>	<u>\$ 173,421</u>

**Township of Big Rapids**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 140,000	\$ 140,000	\$ 146,982	\$ 6,982
Contribution from local unit	10,000	10,000	8,798	(1,202)
Interest and rentals	500	500	2,200	1,700
Other	250	250	4,987	4,737
Total revenues	<u>150,750</u>	<u>150,750</u>	<u>162,967</u>	<u>12,217</u>
<b>EXPENDITURES</b>				
Public safety	97,850	97,850	79,914	17,936
Capital outlay	18,000	18,000	12,776	5,224
Debt service:				
Principal	45,826	45,826	49,447	(3,621)
Interest	5,510	5,510	1,898	3,612
Total expenditures	<u>167,186</u>	<u>167,186</u>	<u>144,035</u>	<u>23,151</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(16,436)</u>	<u>(16,436)</u>	<u>18,932</u>	<u>35,368</u>
<b>FUND BALANCES - BEGINNING</b>	<u>5,088</u>	<u>5,088</u>	<u>5,088</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (11,348)</u>	<u>\$ (11,348)</u>	<u>\$ 24,020</u>	<u>\$ 35,368</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Big Rapids**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
December 31, 2005

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	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
<b>ASSETS</b>						
Cash	<u>\$ 64,303</u>	<u>\$ 7,583</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 103,118</u>	<u>\$ 175,097</u>
<b>FUND BALANCES</b>						
Fund balances:						
Unreserved, undesignated	<u>\$ 64,303</u>	<u>\$ 7,583</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 103,118</u>	<u>\$ 175,097</u>

**Township of Big Rapids**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - nonmajor governmental funds**  
Year ended December 31, 2005

	<u>Special revenue</u>			<u>Capital project</u>	<u>Permanent</u>	
	<u>Cemetery</u>	<u>Metro Act</u>	<u>Liquor Law</u>	<u>Industrial Park</u>	<u>Perpetual Care</u>	<u>Totals</u>
<b>REVENUES</b>						
State grants	\$ -	\$ 3,871	\$ 4,332	\$ -	\$ -	\$ 8,203
Charges for services	2,072	-	-	-	-	2,072
Interest	4,411	-	-	415	16	4,842
Total revenues	6,483	3,871	4,332	415	16	15,117
<b>EXPENDITURES</b>						
Public safety	-	-	4,332	-	-	4,332
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>6,483</u>	<u>3,871</u>	<u>-</u>	<u>415</u>	<u>16</u>	<u>10,785</u>
<b>OTHER FINANCING USES</b>						
Transfers in	-	3,712	-	47,256	-	50,968
Transfer out	(3,500)	-	-	-	-	(3,500)
Total other financing sources (uses)	<u>(3,500)</u>	<u>3,712</u>	<u>-</u>	<u>47,256</u>	<u>-</u>	<u>47,468</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,983	7,583	-	47,671	16	58,253
<b>FUND BALANCES - BEGINNING</b>	<u>61,320</u>	<u>-</u>	<u>-</u>	<u>(47,578)</u>	<u>103,102</u>	<u>116,844</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 64,303</u>	<u>\$ 7,583</u>	<u>\$ -</u>	<u>\$ 93</u>	<u>\$ 103,118</u>	<u>\$ 175,097</u>

## FEDERAL AWARDS

**Township of Big Rapids**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended December 31, 2005

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
U.S. Department of Commerce, Economic Development Administration: Public Works Development Facilities	11.300	<u>\$1,593,944</u>

NOTE: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**Township of Big Rapids**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*Year ended December 31, 2005*

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Township of Big Rapids.
2. No reportable conditions were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Township of Big Rapids were disclosed during the audit.
4. No reportable conditions were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for the Township of Big Rapids expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the Township of Big Rapids are reported in Part C of this schedule.
7. The program tested as a major program follows:

<u>Federal agency</u>	<u>Program name</u>	<u>CFDA #</u>
U.S. Department of Commerce	Public Works Development Facilities	11.300

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Township of Big Rapids was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

NONE

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

NONE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL  
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Township of Big Rapids, Michigan

We have audited the financial statements of the Township of Big Rapids, Michigan (the Township), as of and for the year ended December 31, 2005, and have issued our report thereon dated February 10, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal control over financial reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

February 10, 2006

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Board of Trustees  
Township of Big Rapids**

### **Compliance**

We have audited the compliance of the Township of Big Rapids, Michigan (the Township), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Township's major federal program is its Public Works Development Facilities Program. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

In our opinion, the Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

### **Internal control over compliance**

The management of the Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS (Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

February 10, 2006

# SiegfriedCrandallPC

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February 10, 2006

Board of Trustees  
Township of Big Rapids, Michigan

In planning and performing our audit of the financial statements of the Township of Big Rapids, Michigan, for the year ended December 31, 2005, we considered the Township's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 10, 2006, on the financial statements of the Township of Big Rapids, Michigan.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Township management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

*Siegfried Crandall P.C.*

## **COMMENTS AND RECOMMENDATIONS**

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### ***Support for receipt transactions:***

The Township does retain adequate supporting documentation for its receipts. Without adequate documentation, transactions can be recorded incorrectly.

The Michigan Department of Treasury's Uniform Accounting Procedures Manual requires supporting documentation for all collections. Each receipt should include the name of the payer, the amount, the purpose, an account number, and the signature of the employee receiving the money.

### ***Approval of disbursements:***

Our review of the Township's cash disbursements indicated that certain checks lacked appropriate documentation of approval.

We recommend the approval of all disbursements by the appropriate employee, typically a department head, before checks are submitted to the entire Board for approval. Approval could be indicated by initialing and dating the supporting documentation for each check.

### ***Lawful expenditures:***

The Township incurred certain expenditures that may not have been in compliance with state statutes governing lawful expenditures. For example, we noted disbursements for retirement gifts that are inappropriate according to an opinion issued by the Attorney General.

We recommend that the Township consult with legal counsel prior to incurring expenditures that are not specifically allowed by state statutes. We have enclosed a document entitled "Determining Lawful Expenditures" that we obtained from the website of the Department of Treasury. Please note the restrictive nature of the authority granted to local units. Legal expenditures consist of those specifically granted by the Michigan Constitution and applicable statutes. In other words, a transaction that is not specifically authorized cannot be legally executed.

### ***Fire Department payroll monitoring:***

The internal controls related to payroll disbursements, to employees within the Fire Department, could be enhanced through the following procedures:

- Documentation of Board approval of pay rates and salaries, and changes thereto
- Approval, by the Fire Chief, of hours to be paid
- Periodic reconciliation, by an employee independent of the Fire Department, of hours per incident reports to hours to be paid

***Reconciliation of receivable balance:***

The Sewer Fund receivable balance was not reconciled to the general ledger control account in a timely manner.

We recommend the reconciliation of the sewer charges receivable to the general ledger control account on a monthly basis. This procedure must be performed to ensure that accurate information is available for monitoring financial operations of the Sewer Fund.

***Support for general journal entries:***

In certain instances, the Township did not retain adequate supporting documentation for its general journal entries or corrections to the accounting records. Adequate documentation is essential in order to determine whether the transaction is valid and appropriate.

We recommend that the Township retain supporting documentation for each general journal entry. In addition, the appropriate official should document their approval of the transaction.

***Policies and procedures:***

Many of the Township's policies and procedures, especially those related to the accounting function, have not been formally documented.

We recommend that the Township develop a written accounting policies and procedures manual. Committing the Township's policies and procedures to writing would provide several benefits, including:

- clarification of responsibilities and segregation of duties
- communication of appropriate systems of internal controls
- improve continuity at the time of personnel changes